



Press Release

**Michael Woodford to receive *Deutsche Bank Prize in Financial Economics 2007***

**Frankfurt, January 25, 2007. Michael Woodford, the John Bates Clark Professor of Political Economy at Columbia University in New York, is to be awarded the Deutsche Bank Prize in Financial Economics 2007. This prize, presented by the Center for Financial Studies (CFS) in cooperation with the University of Frankfurt, carries an endowment of €50.000 Euro and is sponsored by the Deutsche Bank Donation Fund.**

Michael Woodford is one of the internationally most highly acclaimed researchers in the field of monetary economics. Woodford is to be awarded the Deutsche Bank Prize in Financial Economics 2007 for his fundamental contributions to the theory and practical analysis of monetary policy. “Michael Woodford has developed a theory of monetary macroeconomics that holds widespread appeal to academic researchers owing to its rigorous microeconomic foundations. Woodford has proved the immense practical value of his theory by analyzing the central role played by expectations and communication in the implementation of monetary policy”, said Volker Wieland, CFS Director and Chairman of the Deutsche Bank Prize Jury in 2007. He continued, “Woodford’s work, summarized in his influential monograph ‘Interest and Prices: Foundations of a Theory of Monetary Policy’, has quickly become the standard reference for monetary theory and analysis among academic economists and their colleagues at central banks”.

Woodford advocates that central banks adhere to systematic and transparent rules in the design of monetary policy. The effects of monetary policy depend critically upon what market participants expect about future policy and the course of the economy. Thus, interest rates should be set according to systematic rules and central banks need to communicate information about how they



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intend to conduct policy in the future. The best way for central banks to communicate the future course of policy, according to Woodford, is to be explicit about the rules that guide policymaking decisions. Good rules require explicitly stated targets for policy, such as inflation, and clear explanations stating how an interest rate level consistent with the policy target is to be achieved. Woodford argues in favor of direct inflation targeting rather than using intermediate targets or reference values for money and credit aggregates

Michael Woodford studied at the University of Chicago as well as Yale Law School, and wrote his thesis at the Massachusetts Institute of Technology (MIT). His first appointment to a professorship was in 1984 at Columbia University in New York. After further teaching and research positions at the University of Chicago and Princeton University, he returned to Columbia University in 2004 to take up a Chair in Political Economy. During the course of his academic career, Woodford has taken on numerous visiting professorships and consultancy briefs. Thus, for example, he has been an advisor to the central bank of Brazil and the U.S. Federal Reserve as well as the European Central Bank.

The recipient of the Deutsche Bank Prize in Financial Economics 2007 has been selected by an international jury of leading economic researchers and practitioners from the world of finance. This time the jury comprises Günter Franke (University of Constance), Michael Haliassos (CFS Program Director and Frankfurt University), Otmar Issing (President of CFS), Jan P. Krahen (CFS Director and Frankfurt University), Patrick Lane (The Economist), Lucrezia Reichlin (Director General of Research at the ECB), Reinhard H. Schmidt (Frankfurt University), Lars E.O. Svensson (Princeton University), Norbert Walter (Managing Director of Deutsche Bank Research and Chief Economist of Deutsche Bank Group), and Volker Wieland (Chairman of the jury, CFS Director and Frankfurt University).



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The Deutsche Bank Prize in Financial Economics is awarded to honor internationally renowned economists, whose work has both decisively influenced research in the fields of finance and money and macroeconomics and delivered important results for economic policy and practice. The prize is awarded on a two yearly basis. The prize will be presented to Michael Woodford by Josef Ackermann, Chairman of the Management Board and the Group Executive Committee of Deutsche Bank AG, at a ceremony taking place in Frankfurt on October 4, 2007. The first prize winner was Eugene F. Fama, Professor of Finance at the University of Chicago, who in 2005 was honored for his theory of efficient markets.

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### **CFS Profile**

The Center for Financial Studies (CFS), located in Frankfurt, is a financially independent research institute affiliated to Frankfurt University. It conducts independent and international research on financial markets, financial intermediaries and monetary economics. CFS promotes the dialogue between academia and the financial community by organizing international conferences, colloquia, academic forum discussions and specialist presentations on issues relating to monetary and capital market theory. CFS makes its contribution towards executive development and qualification training in the form of one to four day seminars as well as in-house events. The President of the Center for Financial Studies is Prof. Dr. Dr. h.c. mult. Otmar Issing and its Directors are Prof Dr. Jan Pieter Krahen and Prof. Volker Wieland, Ph.D.

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